



# Preparing Missourians to Succeed

## A Blueprint for Higher Education

### Public Hearing #8 – Springfield (DRAFT)

*Focus: Alternative financial models for college and university operations.*

June 3, 2015

Ozarks Technical Community College

#### BACKGROUND

Higher education is quickly evolving in Missouri as the state's colleges and universities prepare students for the future. By 2018, an estimated 60 percent of all jobs in the state will require some form of postsecondary education.

Missouri has set a goal to increase the percentage of working age adults with a two- or four-year degree or professional certificate to 60 percent by the year 2025. Currently, about 49 percent of Missourians have a college degree or certificate.

Knowledgeable and skilled citizens are key to a strong economy, but the benefits of higher education extend far beyond meeting the state's workforce needs. Individuals who earn a postsecondary degree enjoy higher incomes and lower unemployment rates. They make healthier lifestyle choices and live longer lives. They are more likely to vote and volunteer in their communities.

The Missouri Coordinating Board for Higher Education is responsible for designing a coordinated plan to address the state's higher education needs. The last plan was adopted in 2008.

To keep pace with the state's higher education needs, the Missouri Department of Higher Education will spend the next year developing a new coordinated plan: *Preparing Missourians to Succeed: A Blueprint for Higher Education*. The final plan will be presented to the coordinating board for approval in December 2015.

The *Blueprint for Higher Education* will focus on four main areas:

- **Accessibility:** Improve college readiness and make higher education opportunities available to all students across the state.
- **Affordability:** Keep the cost of higher education within reach for Missouri families.
- **Quality:** Ensure students acquire the knowledge and skills they need for a rapidly changing world and workplace and support the need for resources to provide quality educational opportunities.
- **Completion:** Help students stay the course to finish a certificate or degree program.

## **AGENDA**

Convene – Steering Committee Co-Chairs *Deb Hollingsworth and Jim Anderson*

Welcome – *Dr. Hal Higdon*, Chancellor, Ozarks Technical Community College

Presentation: Alternative Financial Models for College and University Operations by Executive Director of National Center for Higher Education Management Systems *Dennis Jones*

Panel: Alternative Financial Models for College and University Operations – Facilitated by *Dennis Jones*

*Dr. Ron Slepitz*, President, Avila University

*Dr. Brian Burnett*, Chief Financial Officer, University of Missouri System

*Clif Smart*, President, Missouri State University

*Marla Moody*, Vice Chancellor for Finance, Ozarks Technical Community College

Discussion with Alternative Financial Models Panel

Public Comment

Adjourn

## **STEERING COMMITTEE ATTENDANCE**

**Vicki Schwinke**, Chief Academic Officer and Dean of Student Affairs - Academic & Student Affairs, State Technical College of Missouri, Linn (for Don Claycomb)

**Mike Thomson**, State Representative and Teacher (retired), Maryville

**Dr. Charles Gooden**, Dean of Student Affairs, Harris-Stowe State University (retired), St. Louis

**Deb Hollingsworth**, Vice President of External Affairs, AT&T (retired), St. Louis

**Dalton Wright**, Chair, Missouri Coordinating Board for Higher Education, Lebanon (*Ex-officio member*)

**Dr. David Russell**, Commissioner, Missouri Department of Higher Education, Jefferson City (*Ex-officio member*)

**Dr. Rusty Monhollon**, Assistant Commissioner of Academic Affairs, Missouri Department of Higher Education, Jefferson City (*Ex-officio member*)

**Tom Richmond**, Manager of Parts Distribution, Altec Industries, St. Joseph

**Dr. John Jasinski**, Chair, Council on Public Higher Education, and President, Northwest Missouri State University, Maryville

**Betty Sims**, Chair, Missouri Coordinating Board for Higher Education, St. Louis (*Ex-officio member*)

**Mike Franks**, Chief Executive Officer, Neosho Area Business & Industrial Foundation, Inc., Neosho

**Jim Anderson**, Vice President of Marketing and Public Affairs, CoxHealth, Springfield

**Pat Dillon**, Community Liaison, Mosaic Life Care, St. Joseph

**Zora Mulligan**, Chief of Staff, University of Missouri System, Columbia (for Tim Wolfe)

**Dr. Kevin Gwaltney**, Executive Director, Joint Committee on Education, Jefferson City

**Mark James**, Chancellor, Metropolitan Community College, Kansas City

**Brian Crouse**, Vice President of Education, Missouri Chamber of Commerce and Industry, Jefferson City

**Dr. Jon Bauer**, Vice Chair, Missouri Community College Association, and President, East Central Community College, Union

**Gena Boling**, President, Missouri Association of Student Financial Aid Personnel, Rolla

**Berla Bieller**, Retired Teacher, Guidance Counselor, Broseley

**Clif Smart**, Vice Chair, Council on Public Higher Education, and President, Missouri State University, Springfield

**Marie Carmichael**, Owner and President, Affordable Homes Development Corporation, Springfield

**Angela Bennett**, Regional Director, U.S. Department of Education Office of Civil Rights (retired), and Curator Emerita, University of Missouri Board of Curators, Kansas City

**Dr. Johndavid Kerr**, President, Missouri Association of Faculty Senates, and Professor, Harris-Stowe State University, St. Louis

**Bruce Wylie**, Executive Director, Missouri Society of Professional Engineers, Jefferson City

**Cliff Davis**, Chair, Missouri Community College Association, and President, Ozarks Technical Community College – Table Rock Campus, Branson

## **PUBLIC ATTENDANCE**

There were 36 members of the public in attendance.

## MEETING SUMMARY

Deb Hollingsworth, Vice President of External Affairs, AT&T (retired), co-chaired the Steering Committee and gave an overview of the agenda and how the hearing would proceed.

## WELCOME

**Dr. Hal Higdon**, Chancellor, Ozarks Technical Community College, welcomed the Steering Committee, staff and guests to the campus.

- Ozarks Technical Community College is the lowest funded higher education institution in the state of Missouri.
- Only 11 percent of OTC's budget comes from state funding and 75 percent comes from student enrollment.
- We are very entrepreneurial and very student-centered.

**Alternative Financial Models for College and University Operations Presentation** – Facilitated by Executive Director for National Center for Higher Education Management Systems Dennis Jones

- Missouri needs to build a strategic finance plan.
- Most state have statewide goals that are not institution specific. It is no longer about capacity building. Now it is about how we connect state money to the achievement of our state goals.
- States are establishing college attainment goals. Missouri's big goal is for 60 percent of the adult population having post secondary degree or valued certificate by the year 2025.
- It will take a heavy lift for all institutions for Missouri to meet this goal. The students needed to bring into the system to reach that goal are less affluent, less academically prepared, and many of them will be older. This could be a costly population to serve at a time when money is harder to come by.
- Missouri is below the national average for education attainment.
- When this workforce retires, they will take a lot of education with them. We have a bigger replacement problem than any other country in the world.
- Missouri will have to improve high school graduation rates, improve college participation rates, establish and substantially improve college completion rates, enroll and graduate more adult students; and all this costs money.
- If Missouri is to reach its 60 percent target by 2025, it is going to need 500,000 plus more degrees produced than current levels of production will yield.
- If Missouri does nothing, natural population increase will only closes 10,000 in that 500,000 gap. If high school completion goes up and college participation goes up to best in the country, Missouri will gain only 93,000 degrees by the goal year.
- At the K-12 level, you can expect help in only one-fifth of Missouri's problem. The other 80 percent is a higher education issue.
- If public four-year institutions graduation rates go up to best in the country, they will only account for 30,000. If public two-year institutions completion rates go up to best in the country, they will account for 163,000 more. If K-12 and higher education do all best in performance with 18 year olds, Missouri can get 60 percent of the way to that 500,000. We will have 200,000 adults that will need to be brought into the system and succeed.

- Money for this increase will be required at the institutional level. Since most of these students will be low income, attention to need-based aid will be another major issue. The need-based aid requirement is at least as big as the institutional support requirement.
- There are only two sources of funds for institutions: state/ local governments, and students.
- Higher education is in competition with many other programs in state government for state resources. There is prediction that there will be an overall slowdown in state revenues with Medicaid expenses rising. Medical expenses are the biggest competitor for tax dollars.
- There is a state with conversation that changes the capital budgeting process. Capital budgeting will be an investment fund for building capacity for reaching the state goal. It will most likely be expanding programs, creating new delivery models, and building out online programs. This will mean real intentionality tied to state goals behind the capital budget.
- Tuition as a policy, student financial aid as a policy, and institutional productivity enhancement can assist in meeting the state goal. Be smarter about how many students you can graduate that come in the door.
- It will become harder to come up with additional resources for the additional students that will need to be served. Average cost calculations will not get us there.
- Students in Missouri statewide pay more than half. They are incurring debt to do it. Too many students are leaving college with too much debt and no degree. Increasing tuition threatens the participation of those most needed to come to college.
- We know if high income students face a tuition increase, they may change their choice of college; but they will go to college. Low income students will often opt out of college if tuition increases.
- Productivity gains in higher education have not increased much. Cost for students has remained essentially flat. There are no adopted practices that yield cost reductions on a long term, sustained basis.
- Missouri institutions have been forced to get more efficient because the revenues haven't been there and the students have.
- Nationally, the amount of money from both the student and the state are as high as they have ever been. This is not the case in Missouri. Missouri has lost more from its high point than any other state in the Midwest Higher Education Compact, and its high point was much lower than most others.
- Missouri's educational revenue per FTE student is lower than most other states in the country. Missouri's percent change is bigger than most other states in the country over the last five years. The net result is that there has been a huge shift in who pays for college in Missouri. The state is now the junior partner in funding institutions.
- Institutions in Missouri have a different set of incentives for enrollment and how they deal with the state.
- The state has to come at funding higher education in recognition that base funding for institutions is fundamentally tuition, yet state money has to be used for something else. Both the state and the institution have to come to the understanding that keeping the doors open is paid for by tuition.
- The state investment in higher education increasingly will look much like the National Science Foundation investment in colleges and universities. They will be buying a product or service aligned with state priorities. The proportion of that money is going up for state priorities.
- Missouri is in the middle as far as how much of the money comes from tuition verses the state and local for public institutions.

- Missouri is below the national average for net cost as a percent of median family income for a public four-year institution. It takes about 18 percent of family income to pay for cost of attendance for college after all grant aid. For the lowest family income, it takes 60 percent. At two-year institutions these numbers are lower yet still take 40 percent of income for low income families.
- Need-based aid programs are nowhere near keeping up with the demand. Need-based aid is the key in meeting Missouri's goal.
- Average debt of U.S. graduates keeps going up. Missouri's students' debt is higher than the national average. Every one of the MHEC states has a higher proportion of borrowing students than the national average. In Missouri students do borrow less than the national average.
- The distribution of loans to entering full-time students in Missouri is varied by sector. Proprietary schools get a substantial chunk of the loan money.
- One way to judge productivity is to talk about the proportion of students that get degrees relative to the size of student enrollment. (The number of degrees awarded per 100 FTE) This gets rid of all the transfers and the federal definition that does not count part-time students or students that dropout then come back. When using this definition, Missouri's graduation rate is below the national average in the public research universities, the public four-year institutions, and slightly above the public two-year institutions.
- States should align finance policy with state goals and to align finance policies with each other. Tuition policy and financial aid policy need to sync. Financial aid policy and appropriation policy to institutions need to sync.
- We must be smart about the design of student financial aid programs. Oregon's opportunity grant program is probably the best designed student financial aid programs in the country.
- Oregon's model calculates the cost of attendance (tuition, room & board, books, etc.). Tuition will be negotiated as a state policy number not just plugged in with what institutions wish to establish. The student contribution becomes the first dollar in (not the family). At the four-year level they add what can reasonably be repaid in loans for a graduate that goes into a low paying, public funded occupation. Then parental contribution is added. Pell kicks in. The state is the last dollar funder.
- In Oregon's model, if an institution chooses to raise tuition above the state policy level, the institution becomes responsible for the state's share of need-based aid.
- A smart model would also include tax credits and Pell.
- States should strengthen their internal partnerships. Higher education can partner with economic development, workforce development, training K-12 teachers, employers and research partners. The money received from these partnerships will come with funder expectations.
- Missouri's goal cannot be met without additional state funds.
- Strategies for moving forward for states:
  - Align financing policies
  - Use the capital budget much more strategically
  - Improve institutional productivity
  - Be smarter about design of state student financial aid programs
  - Strengthen state internal partnerships
  - Admit that goals cannot be met without infusion of additional state funds

- Strategies for moving forward for institutions:
  - Start with a recognition that the good old days aren't coming back – new approaches will be necessary
  - Leverage situations in which marginal revenues exceed marginal costs
  - Utilize different delivery strategies – assign faculty and staff to activities in new ways
  - Learn to be a good partner
  - Develop expertise in serving new markets

**Alternative Financial Models for College and University Operations Panel** – Facilitated by Executive Director for National Center for Higher Education Management Systems Dennis Jones

Dr. Ron Slepitz, President, Avila University

- ❖ Partnership between state, institutions and business is needed. The state pays to attract business to the state. Why not pay incentives to help business engage in workforce development to achieve its goals?
  - This would require that the business sector act in an advisor capacity to higher education for the knowledge, skills and experiences they most need.
  - Higher education has a responsibility in engaging in program and course modification responsive to the input they would receive.
  - Businesses would engage in the ability of providing paid internships to students so that it substitutes as a form of financial aid.
  - Higher education institutions need to be able to offer businesses the opportunity of programs that are certificate-based.
  - States provide scholarships to nontraditional students who return to work in high impact areas.
- ❖ We could explore initiative-based fundraising where we define the operational areas in terms of programs that are moving the needle because funders want to see that they are making an impact.

Marla Moody, Vice Chancellor for Finance, Ozarks Technical Community College

- ❖ The longer a student stays in development education or remediation courses, the less likely they are to graduate.
- ❖ OTC is looking at different timeframes for remediation course students.
  - Looking at classes called boot camps, where a student could be in remediation classes for three to eight weeks.
- ❖ 68 percent of students are going to college but are not completing.
  - Personal finances are a major barrier in college completion.
  - Some students are working too many hours in a week to pay for higher education and support their families to keep up with course work.
  - Food, shelter and transportation can be barriers for nontraditional students. OTC has developed an emergency fund to help students. We stock protein bars and snacks so students have something to eat.
- ❖ In the last ten years, the associate degree production has increased by over 40 percent.
- ❖ Four years ago, community colleges in Missouri formed a consortium to receive a Department of Labor TACT grants. We looked at employer needs and made sure we had courses that had the training for those businesses.

- ❖ Certificate programs are a unique and important piece to the framework of Missouri.
- ❖ Community colleges serve 46 percent of students in Missouri and receive 15% of state funding.

Dr. Brian Burnett, Chief Financial Officer, University of Missouri System

- ❖ University of Missouri System's four campuses had over 77,000 students last fall.
- ❖ Focused on continuing and increasing degrees awarded.
  - Missouri S&T in Rolla had record enrollment and graduates this year with students in the increasingly needed STEM fields.
  - University of Missouri Kansas City has a goal for 2020 to increase student population to 20,000 students from 16,000 last fall.
  - University of Missouri St. Louis has strategic goals to increase the number of degrees awarded in its programs from 3,000 to 3,600 by 2018.
  - University of Missouri Columbia welcomed over 35,000 students last fall and is examining where it can expand its programs both at the graduate and undergraduate level.
- ❖ Our challenge is how to pay for these increased classes and regulation with respect to Title IX response.
- ❖ We have to be good stewards of the state appropriations that come from Jefferson City and our parents' and students' tuition payments. We have to continue to look for efficiencies on how we deliver higher education services.
  - UM System has a unified supply chain and procurement operation that serves University of Missouri health system, our four campuses and the extension services.
  - We have noted savings in healthcare, purchasing, benefit costs and financing.
- ❖ We continue to look for productivity gains by benchmarking, increasing online learning and finding new ways to offer classes in cost effective and high quality methods. Partnership campuses are important to increase savings.
- ❖ In 2014, UM System's four campuses was awarded over \$880,000,000 in financial aid with 75 percent of our students receiving some form of financial aid.
- ❖ We use performance funding increases awarded by the state to fund strategic goals proposed by the campuses and approved by President Wolfe.
- ❖ We must improve retention levels to above our peers to meet growth and degree production goals in the state plan.

Clif Smart, President, Missouri State University

- ❖ Per FTE, the average funding by state for four-year public schools is a little over \$7,000 nationally. Missouri is right at \$5,000. MSU receives \$4,200 per student. Tuition national average is \$9,100 per year. Missouri average is \$8,300 per year. MSU is \$7,000 per year.
  - The national cost average is \$16,000. Missouri's cost average is \$13,300. MSU's cost is \$11,200.
  - Inflation is at 11 percent in six years. Tuition is up less than 10 percent for four-year schools in Missouri. Nationally, tuition is up on average 26 percent over six years.
- ❖ MSU has \$6.2 million new revenue for FY16.
  - The smallest chunk comes from state appropriation. Our performance funding increase this year is 1 ½ percent equaling \$1.5 million.
  - The biggest chunk is \$2 million to allocate for enrollment growth.



- Undergraduate tuition increased less than one percent. Out-of-state and graduate tuition increased two percent. We had a small increase in internet cost. More than half of our new money comes from students.
- We invested money that rolls off over a five year period giving us a one-time addition of \$1.3 million.
- ❖ Two years ago we created an international training program.
  - Just signed an agreement with China for \$1.5 million contract for them to bring 40 students and ten faculty over for nine months for noncredit kinds of training. We will make a couple thousand dollars on that contract after costs.
- ❖ We have a committee that has looked at alternative funding sources outside the state appropriation and tuition. The colleges that do the best get about 15 percent.
- ❖ Many states have adopted a HOPE scholarship.
  - Georgia funds theirs by lottery proceeds. Others fund it by cigarette tax.
  - Independent universities need to be included to meet our goals.

#### **Steering Committee discussion with panel members**

- ❖ What is your impression of the quality index?
  - Clif Smart – There are capacity issues.
  - Brian Burnett – We have seen an increase in ACT and GPA over the last several years. The issue is that when the students begin to struggle, how do we help them best. We have to be much more enrollment management focused and very bottom line focused. Endowment is important, but unrestricted endowment is hard to get.
  - Ron Slepitz – We need to find out how to engage graduates in continuous education, and how to recognize prior learning and competency. We need to create fast tracks and changing the model of delivery. Seat time verses competency is a mismatch.
- ❖ People do not know what the participation by 2025 goal is in Missouri. This has to be a state goal that is felt by the people of Missouri and they need to be willing to participate in it.
  - Maybe a cigarette tax or a checkbox on individual and corporate taxes can help.
- ❖ There has to be an infrastructure (buildings and technology) to support students. We also need to have the ability to sustain those infrastructures.
- ❖ There has been such a drought in state aid that our buildings are beginning to deteriorate. This becomes a recruitment and safety issue.
- ❖ UM System has already done some centralization in purchasing. Have you done that with IT services, accounts payable/receivable for all four campuses?
  - Yes, we have one finance system and one payroll across campuses. We have a central system for supplies and are trying to help Truman State University do the same.
- ❖ Are there any special programs at University of Missouri St. Louis to assist low income students that may not be college ready?
  - We put money into scholarships for north county students to begin to address some of the socioeconomic issues. UMSL has the largest Pell population of all four system campuses.
  - UMSL has engineering partnerships with Washington University.

- UMSL has a social worker on staff.
- ❖ How are we in the state of Missouri going to better prepare young people to be ready for higher educational institution matriculation
  - Some students spend a large chunk of their financial aid on remediation and courses to prepare to be successful. By the time they reach their second or third year, they are underfunded in terms of being prepared to complete.
  - We see these students at the community college level. We partner with four-year institutions that the student can transfer their student aid with them.
  - We should partner with high schools to let students know what to expect at the college level.
  - Slepitz – 43 percent of our students are Pell eligible. Early warning systems with intrusive advising and a lot of support are essential.
  - We have to communicate with the citizenry of Missouri.
- ❖ What is your experience with the HOPE or Promise scholarship programs around the country using lottery proceeds and tobacco taxes?
  - Dennis Jones – Most of those programs are established as merit-based programs. Scholarships should change behavior. These do not. They are paying students that are going to go to college anyway.
  - Tennessee Promise is a program that gives free community college for all recent high school graduates that want to go to community college. It is tuition only. A student who has a Pell grant is not eligible for the Promise money.
  - A set of resources targeted to student financial aid (tobacco tax or other), if done well, is a good opportunity to engage the citizens of your state in the conversation. It is easier to get people to sign on to something that benefit the individuals instead of the institutions.
  - The cost for the Louisiana TOPS program has escalated.
  - Indiana's 21<sup>st</sup> Century Scholars Program is a much smarter program. It starts with 7<sup>th</sup> and 8<sup>th</sup> graders. If you are free and reduced lunch eligible then you are eligible for this scholarship.
    - The student must take the college prep curriculum (Core 40) and stay out of trouble with the law.
    - Indiana put together community-based support systems for families. This ensures the parents of these students understand the benefits of their children going to college and offer FAFSA support.
    - This program is not institution specific.
- ❖ The HOPE Scholarship has been in place for 21 years. The conversation started with students and parents of students beginning in elementary school. It helped close the achievement gap.
- ❖ We need to challenge our students and our educators to achieve excellence.
- ❖ It is important for higher education collectively to communicate what we expect of students coming out of high school. Maybe a single exam put together as a set of higher education institutions across the state that communicates to the K-12 system your expectations.
- ❖ California State University gives an assessment exam to high school juniors. If they pass the test, they qualify to go to CSU without any other entrance exams. If they don't do so well, they receive the remediation courses as high school seniors.

- ❖ We do have some quality programs in the state already that focus on supporting students through merit and need-based revenues, but those programs are not fully funded.
- ❖ Missouri needs a state work study. Students can work in the private sector to get their work experience. Create a program where the state matches employer contribution for an intern or a student in a coop program. The student earns income and credit for their academic experience. They will have work experience before they get a degree. The employer becomes part of the teaching process.
- ❖ Changing behavior will have a big payoff, but need will move the ticker faster and farther.
- ❖ There is not a lot more gain we can do through efficiency or partnerships, unless there is a new source of revenue.
- ❖ We need to have communication to include business.
- ❖ Tobacco tax is a short-term solution.
- ❖ Missouri is one of the lowest NSF funded states.
- ❖ The state needs to commit to higher education and funding and increasing the base to cover inflation.
- ❖ Is there a state that has a great education policy bought into by the government, the parents and businesses?
  - In the mid 90s North Dakota had it figured out with goals set for higher education. They laid out what they expected and what they were going to do to achieve it. They laid out what legislation, business community, institutions and the State Board of Higher Education was required to do. It fell apart after ten years due to base politics.
  - Now Tennessee is coming closest to aligning an array of state policies. They have tackled the remediation problem. They are working on articulation and transfer. They have tackled the pipeline problem at all levels. The business community is very involved.

## **PUBLIC COMMENT**

- ❖ Robert Hackley, Environmental Chemist (retired)
  - We have a source for money, but we have to get our politicians to realize that taxes aren't bad. It is how tax revenues are used that is bad.
- ❖ Bob Duncan, retired and college graduate.
  - Higher education faculty's pay is stagnate, yet institutions continue to add administrative positions.
  - An article in the News and Leader on Monday, June 1 under Another Voice titled *College Enrollment Falls; Schools Need to Cut the Fadden* page 2c written by Brian Fogle, CBHE Vice-Chair, verbalizes my feelings on tuition. I ask that the steering committee read this article.

## **ADJOURN**

***Note:** The comments provided in this document do not represent a verbatim transcription of the comments received verbally and may incorporate some close paraphrasing by the record-keeper.*